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An Engine for Growth.

2016 Report Card on Canada and Toronto's Financial Services Sector

TFSA | TORONTO FINANCIAL SERVICES ALLIANCE

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An Engine for Growth: 2016 Report Card on Canada and Toronto's Financial Services Sector
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Preface

Financial services are a critical component of the Canadian economy. The sector directly accounted for 4.4 per cent of Canadian employment in 2015, at 791,000 jobs, and 6.8 per cent of Canadian GDP. This report examines the role of the financial sector in providing access to capital for Canadian businesses and compares Canada to peer countries using various measures to assess the availability of capital. The report also assesses Toronto's role in Canada's financial services sector. This includes examining the sector's importance to Toronto's economy as well as how Toronto compares with other international financial centres.

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About the Toronto Financial Services Alliance

The Toronto Financial Services Alliance (TFSA) is a unique, public-private partnership dedicated to growing Toronto region's financial services cluster and building it as a "top 10" global financial services centre. Established in 2001, TFSA is a collaboration involving three levels of government, the financial services industry, and academia. For more information, please visit www.tfsa.ca.

EXECUTIVE SUMMARY

An Engine for Growth: 2016 Report Card on Canada and Toronto's Financial Services Sector

At a Glance

- Access to a diverse array of capital sources is an important driver of economic growth. Canada compares favourably with other countries in terms of ease of access to debt and equity financing, generally ranking among the top 10 globally.
- Financial services are a large and growing part of Canada's international trade and investment profile. Financial services are Canada's largest and fastest-growing services export category, and the sector accounts for 53 per cent of Canada's stock of outward foreign direct investment.
- Toronto is Canada's leading financial centre, and its relative importance in Canada has grown.
- Toronto is also highly ranked relative to other global financial centres. For example, *The Banker* magazine ranked Toronto's financial sector eighth in the world.

Financial services are a critical component of the Canadian economy. The sector directly accounted for 4.4 per cent of Canadian employment in 2015, at 791,000 jobs, and 6.8 per cent of Canadian GDP. What is more, the sector has been a source of growth for Canada in recent years. For example, sector employment has risen by 12.5 per cent since 2005; only a handful of sectors, such as mining, oil, and gas; health care; and professional services have experienced stronger growth.

But the sector's role goes well beyond the jobs it supports and the GDP it generates. A well-functioning financial services sector is a critical ingredient in a successful economy, as it links the economy together in a unique way. Financial services are a necessary input for every single business across the country and are used by essentially every adult individual. Only a few other sectors, such as telecommunications and transportation, have the same impact on the day-to-day functioning of the economy.

Given the importance of the sector, the purpose of the report is threefold. First, we examine the role of the sector as a source of capital for businesses and how Canada compares to other countries in this regard. Second, we consider the sector's international trade and investment performance. Finally, we assess Toronto's role in Canada's financial services sector. This includes examining the sector's importance to Toronto's economy as well as how Toronto compares to other international financial centres.

Financial Services as a Source of Capital

One of the core functions that financial services firms carry out is the efficient redistribution of capital from those with excess funds (or savers) to those with a shortage of funds (or borrowers). This activity is critical

Canada is a top-four performer globally in terms of private equity and venture capital investments.

to the functioning of a modern economy, and, in fact, sufficient access to a diverse array of capital sources is an important driver of economic growth. The good news is that Canada compares favourably to other countries when it comes to access to financial services. For example, Canada is ranked fifth in the world when measuring the availability of financial services according to the World Economic Forum.

In particular, Canada stands out when it comes to public equity financing. Canada ranks among the top 3 countries in the world for the number of domestic companies that are publicly listed and is a top 10 performer in market capitalization. This is part of Canada's well-documented global importance in raising capital for mining projects. However, more surprising may be Canada's strong performance in private equity and venture capital financing, where it is a top 4 performer globally when measuring investments relative to the size of the economy. The large role that Canadian pension funds and Crown corporations play in these markets is a key part of this performance.

Canada's performance in debt financing is also strong. For example, we estimate that Canada ranks 10th in terms of business credit relative to GDP. As well, total business credit outstanding grew by an average of 5.7 per cent per year between 2005 and 2015, well above the rate of growth in both business investment and GDP over the same period. And this growth is not just tied to borrowing by large businesses. Surveys of small businesses found that few were concerned about having credit applications denied, and the vast majority of applications were at least partially approved. In short, the combination of banks, credit unions, and government institutions provided an array of choices for small businesses to get the financing they needed.

Trade and Investment Performance

Financial services are a large and growing part of Canada's international trade and investment profile. The principal means by which Canadian financial institutions expand their international footprint is by undertaking investments to establish foreign affiliates. In fact, 53 per cent of Canada's stock of outward foreign direct investment (FDI) is attributable to the financial services sector, up from 46 per cent in 2005. At $537 billion in 2015, Canada's stock of financial services outward FDI more than doubled since 2005 and is now more than twice as large as our inward stock. In other words, Canada is a large and growing net exporter of financial services capital.

As a result of these investments, Canada's financial services foreign affiliate sales have steadily grown; they now account for 16 per cent of Canada's total foreign affiliate sales. At $82 billion in 2013, the sector's foreign affiliate sales were eight times the size of its exports. However, the sector's exports have also grown significantly, more than doubling in the past decade, in large part driven by "other financial services," which include items such as securities issuance and trading, and asset management services. In fact, financial services are Canada's largest and fastest-growing services export category.

Toronto's Role in Canada's Financial Services Sector

Toronto is the major hub for financial services in Canada. For example, the metro area accounts for 31.7 per cent of Canada's financial services employment and 43 per cent of the sector's headquarters employment. (See "Key Facts About Toronto's Financial Services Sector.") What is more, the sector has become more concentrated in Toronto over the past decade. As a result, at 250,790 employees, the sector directly accounts for 7.9 per cent of the metro area's employment and 13.1 per cent of its GDP. Only the public services sector has a larger GDP footprint in Toronto.

In addition to the direct impacts that financial services have on Toronto's economy, the sector generates secondary (or indirect) and fiscal impacts. For example, the sector supports another 208,890 indirect jobs, with 106,042 of those occurring in Toronto and the rest occurring elsewhere in Canada. Key industries that indirectly benefit in Toronto include consulting, accounting, legal services, and computer services.

As well, Toronto's financial services sector generated a combined $16.1 billion in fiscal benefits in 2015 for the Canadian, Ontario, and City of Toronto governments.

Toronto's role as Canada's major financial services hub is reinforced by the results of global rankings such as *The Banker* magazine's list of top global financial centres, which ranks Toronto 8th in the world, and the Global Financial Centres Index, which ranks Toronto 13th. Key strengths identified for Toronto include its reputational strength, its business environment, and its investment management subsector. Toronto is also highly ranked among other major global financial centres in terms of the number of people who work in financial services, the share of the region's employment that depends on financial services, and the growth of the sector.

Key Facts About Toronto's Financial Services Sector

- Financial services accounted for 13.1 per cent of Toronto's GDP in 2015, compared with 7 per cent nationally.
- Financial services employed 250,790 people and accounted for 7.9 per cent of Toronto's employment in 2015, compared with 4.4 per cent nationally.
- Toronto's share of Canadian financial services employment has gradually risen, reaching 31.7 per cent in 2015.
- Toronto accounts for 43 per cent of Canadian financial services headquarters employment.
- Over the past decade, financial services employment in Toronto rose by 21 per cent. Among global financial centres in North America only Montréal experienced stronger growth.
- The sector pays above-average wages; average weekly wages for the financial services sector in Ontario in 2015 were $1,260 versus $963 for all industries.
- Financial services accounted for 53 per cent of the stock of Canada's outward FDI in 2015.
- Financial services exports more than doubled over the past decade, reaching $11.7 billion in 2015.

CHAPTER 1

Introduction

Chapter Summary

- Canada's financial services sector has been a source of growth for the economy over the past decade, and it now directly accounts for 791,000 jobs and 7 per cent of GDP in Canada.
- A well-functioning financial services sector is a critical ingredient in a successful economy. It links the economy together in a unique way.
- Toronto is Canada's largest and dominant financial centre. The metro area accounts for one-third of the sector's employment and more than 40 per cent of its headquarters employment.

Financial services are a critical component of the Canadian economy. For example, the sector directly accounted for 4.4 per cent of Canadian employment in 2015, at 791,000 jobs,[1] and 7 per cent of Canadian GDP.[2] What is more, the sector has been a source of growth for Canada in recent years. For example, sector employment has risen by 12.5 per cent since 2005; only a handful of sectors, such as mining, oil, and gas, health care, and professional services, have experienced stronger growth.

But the sector's role goes well beyond the jobs it supports and the GDP it generates. A well-functioning financial services sector is a critical ingredient in a successful economy. Key functions that the sector provides that essentially all consumers and business require include access to credit, transaction processing, and risk management services. Without these services, a modern, dynamic, and resilient economy is impossible.

Thus, the financial services sector links the economy together in a unique way. Financial services are a necessary input for every single business across the country and are used by essentially every adult individual. Only a handful of other sectors, such as telecommunications and transportation, have the same impact on the day-to-day functioning of the economy.

Within Canada's financial services sector, Toronto plays an important role. This is reflected in the fact that the metro area accounts for 31.7 per cent of Canada's financial services employment and 43 per cent of headquarters employment. For both measures, these shares are more than twice as large as the next metro area in Canada. Financial services

1 See Statistics Canada, CANSIM table 282-0008. In this report the financial services sector is defined as NAICS 52 unless otherwise noted.

2 See Statistics Canada, CANSIM table 379-0031.

Toronto remains Canada's largest and dominant financial centre.

are also an integral part of Toronto's economy; the sector directly accounts for about 1 out of every 12 jobs in the Toronto metro area. As well, the sector indirectly supports activity in a variety of other sectors, locally and across Canada.

The depth and diversity of Toronto's financial sector and its international success are reflected in its high ranking on international league tables for financial centres, such as those produced by *The Banker* and the Global Financial Centres Index. As well, among all of the industries that make up the sector, Toronto accounts for an above-average share of Canada's total employment in that industry, except in the case of credit unions. As such, Toronto remains Canada's largest and dominant financial centre.

This report updates and supplements the annual report card that The Conference Board of Canada has published about Toronto's financial sector since 2013.[3] The purpose of the report is threefold. First, we examine the role of the sector in providing access to capital for Canadian businesses. Second, we consider the sector's international trade and investment performance. Finally, we assess Toronto's role in Canada's financial services sector. This includes examining the sector's importance to Toronto's economy, as well as how Toronto compares to other international financial centres.

To achieve these objectives, we consider information from a variety of sources. Many of these are external data sets or surveys from government or private organizations. However, in this report we also reference the results of a survey conducted in the spring of 2016 as part of the report *Stronger Together: The Strengths of Canada's Four Global Financial Centres*.[4] In this survey, 112 individuals provided input on the major strengths and significance of Canada's four global financial centres, Toronto, Vancouver, Montréal, and Calgary.

3 For the most recent report, see Burt, *An Engine for Growth: 2015 Report Card on Canada and Toronto's Financial Services Sector.*

4 Crawford and Renner, *Stronger Together.*

CHAPTER 2

Financial Services as a Source of Capital

Chapter Summary

- Access to a diverse array of capital sources is an important driver of economic growth.
- Canadian firms make heavy use of public equity markets, with more than 4,000 publicly listed domestic companies; Canada is ranked third in the world.
- Canada is a leading destination for private equity investments; it is ranked fourth in the world in private equity investments relative to GDP and third in venture capital investment relative to GDP.
- Total business credit outstanding grew by an average of 5.7 per cent per year between 2005 and 2015, well above the rate of economic growth, suggesting that access to debt financing is not a constraint in Canada.

One of the core functions that financial services firms carry out is the efficient redistribution of capital from those with excess funds (or savers) to those with a shortage of funds (or borrowers). This activity is critical to the functioning of a modern economy. Access to sufficient capital is a necessary ingredient for the operation of any business, and it is of particular concern to capital-intensive industries such as mining, oil, and gas, utilities, and telecommunications.

Capital access is also an important driver of growth for an economy. There is a well-established body of literature going back decades that links economic growth in a particular country to the degree of development of its financial services sector, including the availability of capital.[1] This is why measures of access to capital are often included in studies that compare the economic prospects of different countries, such as the World Economic Forum's Economic Competitiveness Index.[2] The index includes measures of the availability and affordability of financial services, as well as ease of access to loans and equity markets.

The diversity of capital sources available to businesses is also important to economic growth. In its simplest form, capital comes in two varieties: equity, which provides some form of ownership over the assets and profits of the borrower; and debt, where the lender receives a predetermined return on their investment but no ownership. However, both debt and equity come in many forms, and there are hybrid products, such as convertible bonds, that have the characteristics of both products.

Examples of common forms of debt used to finance businesses include bank loans, commercial mortgages, banker's acceptances, commercial paper, bonds, and debentures. Equity investments are either public

1 Havránek, Horváth, and Valíčková, *Financial Development and Economic Growth*.

2 World Economic Forum, *The Global Competitiveness Report 2015–2016*.

Canada stands out in the heavy use of public equity markets.

(meaning they are traded on an exchange) or private (meaning they are not), but can come in multiple forms within each of these categories. For example, venture capital is a specialized form of private equity, and public equity can come in multiple classes that determine the voting rights and pecking order for the payout of profits and asset liquidations. Each of these products is best used in different situations, and thus the sophistication of the financial sector and the breadth of services it provides are also important to economic growth.

Given the importance of capital to business formation and economic growth, it is worthwhile examining the performance of Canada's financial services sector in fulfilling this need. The good news is that Canada compares favourably to other countries when it comes to access to financial services. For example, Canada is ranked fifth in the world in terms of the availability of financial services according to the World Economic Forum.[3] Only Switzerland, Luxembourg, Hong Kong, and the United States are higher ranked. In the rest of this chapter, we examine in more detail how Canada compares to its peers in the availability of different types of capital. We also delve into the trends around how Canadian businesses access capital.

Public Equity

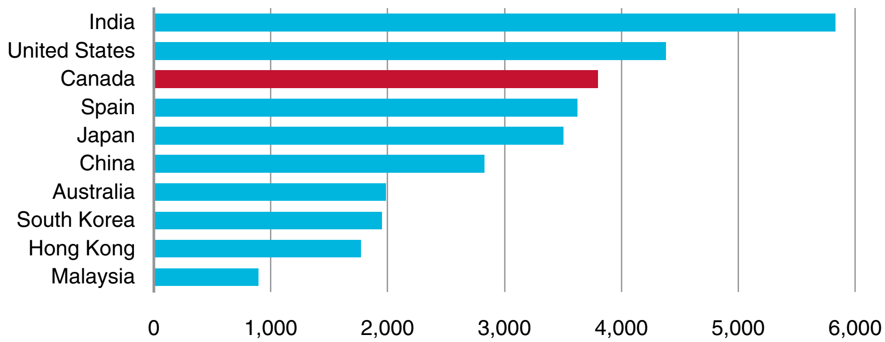
One of the ways that Canada stands out compared to other countries is the heavy use of public equity markets. For example, Canada ranks third in the world in terms of the number of domestic companies that are publicly listed, with nearly 4,000 companies. (See Chart 1.) Only the U.S. and India have more public listings, but both countries have significantly larger economies. Once the number of listings is adjusted for the relative size of each country's economy, only Spain has more listings than Canada.

3 Ibid.

Chart 1

Only a Few Countries Have More Public Listings Than Canada

(number of public domestic company listings, 2015)



Source: World Bank.

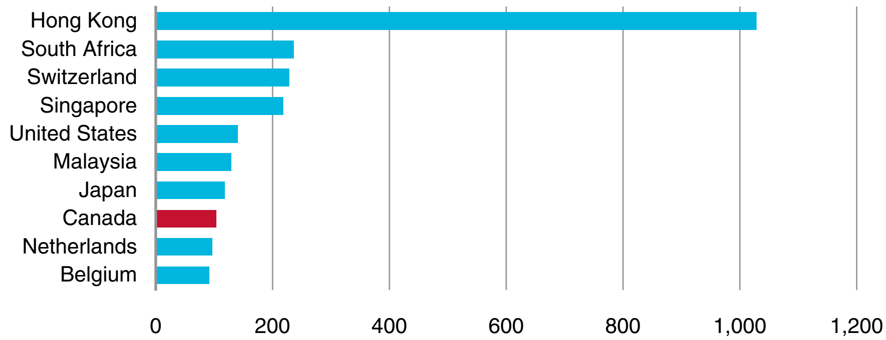
Given the large number of companies listed in Canada relative to the size of the economy, it should not be surprising that many of the listings are for small cap companies. For example, nearly two-thirds of the companies listed with the TMX Group are listed on the TSX Venture Exchange, the group's small cap exchange, but the TSXV accounts for only 4 per cent of their combined market capitalization. However, this does not imply that there is no depth to Canadian equity markets. Indeed, Canada ranks eighth in the world in its market capitalization-to-GDP ratio, and among large countries only the U.S. and Japan rank higher. (See Chart 2.) As well, Canada ranks ninth in the world in the value of stocks traded relative to GDP.[4] As such, there is little evidence that public equity markets in Canada are thinly traded.

4 World Bank, *Stocks Traded*.

Chart 2

High Level of Market Capitalization Implies Significant Depth to Canadian Equity Markets

(market capitalization of listed domestic companies relative to GDP, 2015, per cent)



Source: World Bank.

A key reason for the large number of public listings, and the predominance of small capitalization stocks, on Canadian markets is the major role that Canada's financial services sector continues to play in raising capital for global mining activity. For example, mining accounted for 45 per cent of the firms listed on the TSX and TSXV exchanges and 37 per cent of their market capitalization. The importance of mining activity is particularly apparent in the case of the TSXV, where the sector accounts for 58 per cent of the firms listed on the exchange. As well, TMX Group reports that 53 per cent of global mining finances were done on either the TSX or TSXV in 2015.[5]

Not only are Canada's existing public equity markets significant in scale, they are also a significant source of new capital. For example, in the first seven months of 2016, $39.9 billion in capital was raised through the TSX and TSX Venture exchanges.[6] This is a significant sum; to put it into perspective, it was equivalent to 31 per cent of total business investment in Canada over this period.

5 TMX, *Global Leaders in Mining*.

6 TMX, *Canada's Markets*.

More broadly, the book value of listed shares for non-financial firms in Canada nearly doubled over the past 10 years, from $398 billion in 2005 to $754 billion in 2015.[7] This is much stronger than the pace of general economic growth over this period. What is more, this gain occurred despite factors such as delistings, and firms going private or bankrupt, that would reduce the book value for listed shares. As such, there is little indication that firms looking to make use of public equity markets are limited from doing so.

Private Equity

Canada is also a leading destination for private equity investment activity. In fact, by our estimates Canada is ranked fourth in the world in terms of private equity investments in the country as a share of GDP in 2015; only the U.S., Australia, and Israel were higher. (See Table 1.) Private equity investments, particularly in smaller countries, can be quite volatile, varying considerably from one year to the next if one or two large deals occur in a particular year. However, Canada has generally been ranked among the top five countries for private equity investments by this measure in recent years.

Table 1
Global Rankings for Private Equity Investments
(private equity and venture capital investment relative to GDP, 2015, per cent)

	Private equity		Venture capital
United States	3.5	Israel	0.38
Australia	1.2	United States	0.28
Israel	1.2	Canada	0.08
Canada	1.1	Sweden	0.07
South Korea	1.1	South Korea	0.06
Denmark	0.6	Finland	0.06

(continued ...)

7 See Statistics Canada, CANSIM table 378-0121.

Table 1 (cont'd)

Global Rankings for Private Equity Investments

(private equity and venture capital investment relative to GDP, 2015, per cent)

	Private equity		Venture capital
Finland	0.5	South Africa	0.06
Netherlands	0.5	Ireland	0.05
United Kingdom	0.5	Japan	0.04
Norway	0.5	United Kingdom	0.04
Sweden	0.4	Switzerland	0.03
Ireland	0.3	Norway	0.03
Switzerland	0.2	Netherlands	0.03

Sources: Invest Europe; Bain and Company; CVCA; American Investment Council; OECD; World Bank; The Conference Board of Canada.

Canada is ranked third in the world when we look at venture capital investments relative to GDP. Venture capital is a specialized type of private equity financing that generally targets start-up firms with high growth potential, while private equity deals traditionally target established firms. Due to its focus on start-ups, venture capital financing is often used as an indicator of innovation and entrepreneurism in a country. Canada joins only a handful of countries, such as the U.S., Israel, and South Korea that rank highly for both private equity and venture capital investment.

One of the reasons for this strong performance is the relative attractiveness of Canada as an investment destination. The IESE Business School ranks Canada third in the world, after the U.S. and the U.K, in terms of attractiveness as a destination for private equity and venture capital investments.[8] One of the key factors that contribute to this ranking is the depth of Canada's capital markets, including high marks for public issuing activity, size and liquidity of the stock market, mergers and acquisitions market, and financial market sophistication. These are all desirable traits for private equity investors, as they increase

8 IESE Business School, *The Venture Capital and Private Equity Attractiveness Index*.

The major players in Canada's private equity and venture capital markets are unusual, and include pension funds, Crown corporations, and government agencies.

the ease with which investors can potentially divest. Other Canadian strengths identified in this study include few burdens to starting a new business and strong corporate governance.

It is also worth noting that one of the ways that Canada is unusual when it comes to private equity and venture capital investments is who the major players are in these markets. For example, Canada only has five companies (Brookfield Asset Management, Onex, ARC Financial, The Catalyst Capital Group, Birch Hill Partners) listed among the world's 300 largest private equity funds.[9] This does not imply that foreign private equity and venture capital firms dominate activity in Canada, although some are active here. Instead, several domestic financial institutions that are not specialized private equity or venture capital firms have become major players in this market in Canada.

For example, in the case of private equity, Ontario Teachers Pension Plan (OTPP) had the largest value of deals in 2015 at $4.3 billion, while Investissement Québec concluded the largest number of deals.[10] For venture capital, Business Development Bank of Canada (BDC) was the most active firm in 2015 both in terms of value and the number of deals.[11] In fact, pension funds (such as OTPP, OMERS, and the Caisse de dépôt et placement du Québec), government agencies or Crown corporations (such as BDC and Investissement Québec), and other types of financial institutions (such as Fonds de solidarité FTQ and Desjardins) are among the most active in the private equity and venture capital market in Canada. This is a phenomenon that has gradually developed in Canada over the past 10 to 15 years, as institutions that traditionally would be sources of funding for private equity companies have instead begun to directly undertake investments themselves.

9 Cole, Markham, and Mitchenall, *PEI 300*.

10 Canadian Venture Capital & Private Equity Association, *2015 Canadian Private Equity Market Overview*.

11 Canadian Venture Capital & Private Equity Association, *2015 Canadian Venture Capital Market Overview*.

Broadly speaking, the book value of unlisted shares for non-financial firms has also experienced strong growth over the past decade. Between 2005 and 2015, they increased from $603 billion to $1,245 billion, an increase of 106 per cent, or 7.5 per cent per year.[12] Not all of this increase would have been facilitated by the financial services sector, as business owners do inject their own capital from other sources. However, the role of private equity and venture capital investments is significant. In 2015 alone, these investments totalled more than $25 billion in Canada.

Debt

When it comes to ease of access to credit or debt financing for businesses, Canada does well, but it is generally not ranked quite as highly as is the case for equity financing. For example, in the World Economic Forum survey, Canada ranked 18th in terms of ease of access to loans.[13] However, many of the countries that ranked ahead of Canada were small or emerging markets. Key markets that were ranked ahead of Canada include Hong Kong and Singapore, the Scandinavian countries, the U.S., and France. In the World Bank's Doing Business 2016 rankings, Canada fairs somewhat better, ranking seventh in the world in terms of getting credit.[14]

When comparing recent statistics on business debt, we estimate that Canada ranks 10th in the world in business credit relative to GDP. (See Chart 3.) Canada is ahead of many peer countries, but a few large developed countries, including Japan and the U.S., have significantly higher ratios. However, there are many potential factors that could lead to differences in business debt ratios across countries. For example, countries where corporate profits are higher relative to GDP would be able to support higher business debt levels, all else being equal. As well, inflation-adjusted interest rates vary widely by country, which means that

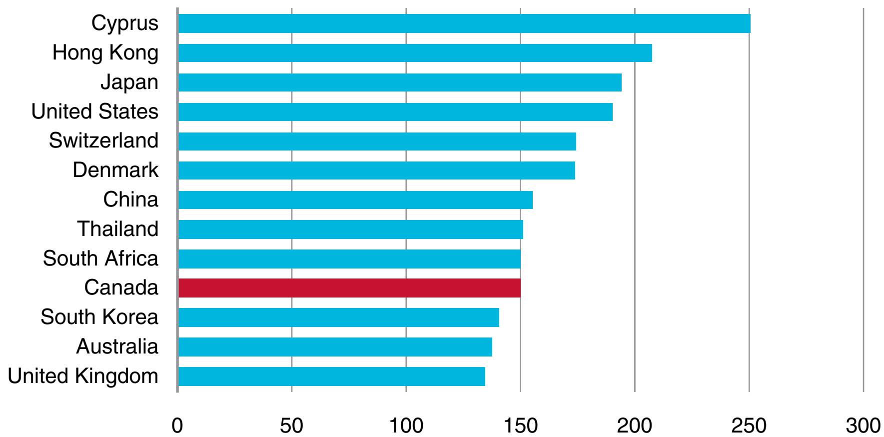
12 See Statistics Canada, CANSIM table 378-0121.

13 World Economic Forum, *The Global Competitiveness Report 2015–2016*.

14 World Bank Group, *Ease of Doing Business in Canada*.

the cost of debt and business demand for it will vary. Finally, demand for debt can be influenced by cultural factors, and as such, cross-country comparisons should be made with caution.

Chart 3
Global Rankings for Business Debt, 2015
(domestic credit to the private sector relative to GDP, per cent)



Sources: World Bank; Statistics Canada; The Conference Board of Canada.

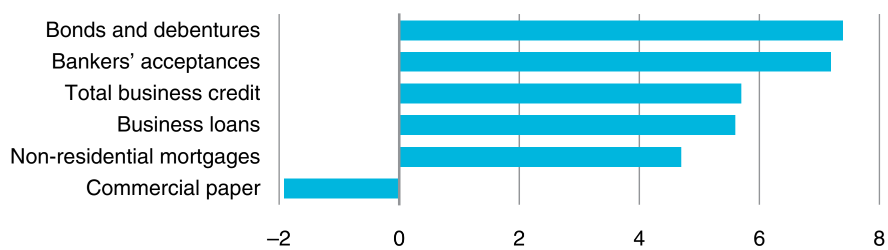
It is also important to keep in mind the risks of excessive borrowing. Taking on debt can increase the profitability of a firm by reducing its cost of capital, since debt is usually lower cost than equity. However, as firms take on more debt, their debt servicing costs rise, which will consume a rising share of free cash flows. If a firm's credit mix tips too far toward debt, the debt service payments can ultimately lead to an increased risk of insolvency. As such, an overly high business debt-to-GDP ratio may actually be a sign of excessive riskiness. Given these caveats, it appears that Canada compares favourably with its peers in terms of getting access to credit.

This is supported by the results of Canadian-specific data and surveys. For example, total business credit outstanding grew by an average of 5.7 per cent per year between 2005 and 2015, well above the rate of growth in both business investment and GDP over the same period.[15] Thus, in aggregate, Canadian businesses were able to increase their leverage over a period that included the global financial crisis, which does not suggest broad-based limitations on access to credit. What is more, nearly all types of credit, including business loans, non-residential mortgages, bonds and debentures, and bankers' acceptances, experienced strong growth over this period. (See Chart 4.) Commercial paper was the only significant form of business borrowing to decline over this period, but given the strong growth in bankers' acceptances may simply signify a change in preferences among large businesses in terms of how they raise short-term funds. The weakness in the commercial paper segment may also be tied to reduced interest in asset-backed commercial paper in the wake of the financial crisis.

Chart 4

Business Credit Has Experienced Strong Growth Over the Past Decade

(average annual growth in business credit outstanding, 2005–15, per cent)



Sources: Statistics Canada; The Conference Board of Canada.

15 See Statistics Canada, CANSIM table 176-0023.

Business credit growth has slowed somewhat, but it continues to outpace economic growth.

Since small businesses are the ones that are most likely to have difficulties accessing credit, it is also instructive to look at their particular experience. Statistics Canada surveys small businesses about their financing activity every couple of years and several things stand out from the most recent survey conducted in 2014, including the following:[16]

- Only 2 per cent of small and medium-sized businesses did not apply for external financing because they thought it would be declined.
- Eighty-six per cent of debt, 96 per cent of leases, and 98 per cent of trade credit requests were either partially or fully approved. These approval rates have been generally consistent over time.
- The smaller a business is, the more likely it is to apply for external financing through a credit union. This behaviour is most apparent in Quebec and the Prairies.
- Government financial institutions provided only 6.2 per cent of debt financing for small and medium-sized enterprises.
- Trade credit, lines of credit, and credit cards are the most common forms of external financing used by small and medium-sized enterprises.

In short, few smaller businesses refrained from applying for credit over concerns that it would be denied. Of those who applied, the vast majority were approved. And the combination of banks, credit unions, and government institutions provided an array of choices for small businesses to get the financing they needed.

It is true that business credit growth has slowed somewhat in Canada over the past 18 months, with year-over-year growth falling from more than 8 per cent in early 2015 to below 5 per cent in the summer of 2016.

16 Innovation, Science and Economic Development Canada, *Survey on Financing and Growth*.

At the same time, the Bank of Canada's Senior Loan Officer Survey indicates a significant tightening in lending conditions over the same period, suggesting that financial institutions have also become more cautious about business lending activity.[17] However, the slowdown in credit growth is very likely tied to the weaker economic conditions over this period. In particular, business investment in the oil and gas sector has fallen by half since the end of 2014 as a result of lower oil prices, reducing the need for business financing. As such the slowdown may be best characterized as prudent, rather than restrictive, in the current economic environment.

17 Bank of Canada, *Senior Loan Officer Survey on Business-Lending Practices in Canada*.

CHAPTER 3

Canada's Financial Sector in a Global Context

Chapter Summary

- Foreign affiliates are the principal avenue by which Canadian financial institutions provide financial services to overseas customers. Foreign affiliate sales are eight times greater than the size of exports.
- Establishing overseas presence has been made possible thanks to foreign direct investment. Canada's stock of direct investment abroad in the financial services sector more than doubled in the last decade, reaching $537 billion in 2015—twice the amount of inward financial services' FDI in Canada.
- Canadian exports of financial services have more than doubled since 2005, one of the strongest growth profiles among Canadian sectors. In large part, growth has been driven by the significant increase in exports of "other financial services," which include items such as securities issuance and trading and asset management services.

Canadian financial institutions are not only serving the financial needs of Canadians, but also those of international customers. In the past decade, Canada's financial sector has significantly increased its footprint in global markets through selling directly to international customers from their Canadian offices and through establishing a physical presence in foreign countries. In fact, having a local presence in foreign markets is the principal avenue for Canadian financial institutions to provide financial services to international customers. The value of sales through foreign affiliates is, on average, eight times greater than the value of financial services exports.

This chapter looks at the latest trends in Canada's financial services trade through foreign affiliate sales and exports—the two main channels used to reach international customers. Exporting financial services directly contributes to economic growth and job creation in Canada, and foreign affiliate sales raise the revenues and profits of the parent companies, thus benefiting all Canadians holding shares in those institutions. Having a presence abroad also contributes to the international reputation of Canadian financial institutions and the Canadian financial system.

Building a Global Presence Through Foreign Affiliates

Canadian financial firms have a significant out-of-country presence, as measured by foreign affiliate sales data from Statistics Canada. This data set includes information on all businesses located outside of Canada that are majority owned by a Canadian business. Foreign affiliates are the principal avenue for Canadian financial institutions to provide financial services to overseas customers. As such, foreign affiliate sales are much larger than financial services exports. For example, financial services exports are equivalent to only 12 per cent of foreign affiliate sales. In other words, the value of services supplied by affiliates abroad of Canadian financial institutions is eight times greater than the value of financial services exports.

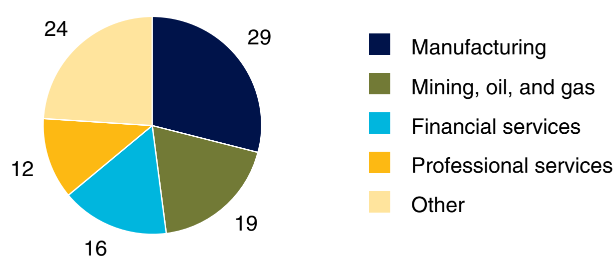
There are many benefits to doing business through foreign affiliates; for example, profits generated through sales by foreign affiliates directly benefit Canada by contributing to the gross national income. In addition, by establishing a local presence abroad, Canadian firms can expand market share, provide better service for their foreign customers, and improve their competitiveness within global value chains.

Foreign affiliate sales in the financial services sector experienced robust growth over the past decade and stood at $82 billion in 2013. Financial service firms' foreign affiliates also employed about 140,000 people outside of the country. These were the highest figures for a services industry, with only the mining, oil, and gas and manufacturing sectors having larger foreign affiliate footprints. In fact, 16 per cent of all foreign affiliate sales by Canadian businesses occur in the financial services sector. (See Chart 5.)

Chart 5

Financial Services Are a Major Source of Canadian Foreign Affiliate Sales

(share of foreign affiliate sales by sector, 2013, per cent)



Sources: Statistics Canada, CANSIM table 376-0066; The Conference Board of Canada.

Canada is a large net exporter of financial services FDI.

The increasing volume of foreign affiliate sales attests to the fact that Canadian financial institutions have been developing their commercial presence around the world, and that presence has been growing by means of foreign direct investment (FDI) into the host countries. The International Monetary Fund defines FDI as any direct investment into a business in a host country by an individual or company of a foreign country. Investors and companies can undertake FDI in two ways: by establishing a new company in the host country or by investing in an existing business through merger and acquisition. FDI enables an investor to have a significant voice in the management of an enterprise operating outside the investor's home country. The phrase "significant voice" usually means ownership of 10 per cent or more of the ordinary shares, voting power, or the equivalent.

Canada is a large net exporter of financial services FDI.[1] Over the last decade, the stock of direct investment abroad in the financial services sector has consistently been above the amount of foreign direct investment in Canada, and the ratio is now more than 2 to 1. And during this period, Canadian financial services institutions' stock of foreign direct investment more than doubled. (See Chart 6.) In 2015, Canada's financial services outward FDI increased 28 per cent over the previous year, reaching $537 billion. The Canada Pension Plan Investment Board (CPPIB) was a major contributor to this growth, having completed US$60.4 billion in foreign acquisitions in 2015.[2] In fact, growth in financial services FDI has been so strong that the industry now accounts for 53 per cent of Canada's total stock of outward FDI compared with 46 per cent in 2005.

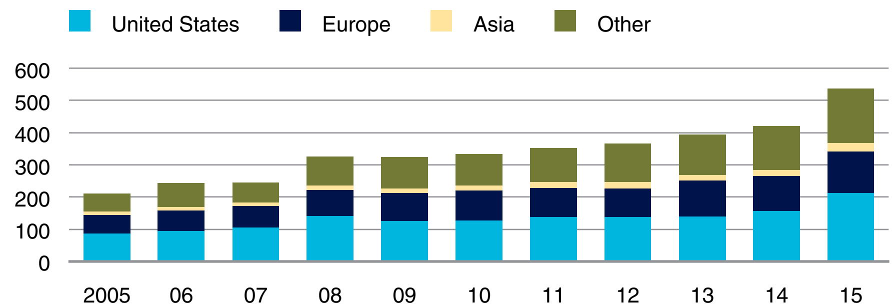
1 For our purposes, we combine the data for the financial services (NAICS 52) and holding companies (NAICS 55) sectors, and refer to them as the financial services sector. We do this since financial institutions often use holding companies to set up and operate their foreign affiliates.

2 Deveau, "Canadian M&A Hits Eight-Year High."

Chart 6

Financial Services Direct Investment Abroad More Than Doubled Over the Last Decade

($ billions)



Sources: Statistics Canada, CANSIM table 376-0052; The Conference Board of Canada.

The U.S. remains the primary destination for Canadian financial services FDI, accounting for just under 40 per cent of the total outward stock of investments in 2015. This is followed by "Other Americas" (31 per cent) and Europe (24 per cent). These shares have remained little changed over the past 15 years. Thus, Canadian financial institutions have taken a broad approach to investing across a number of regions, instead of focusing on any particular area.

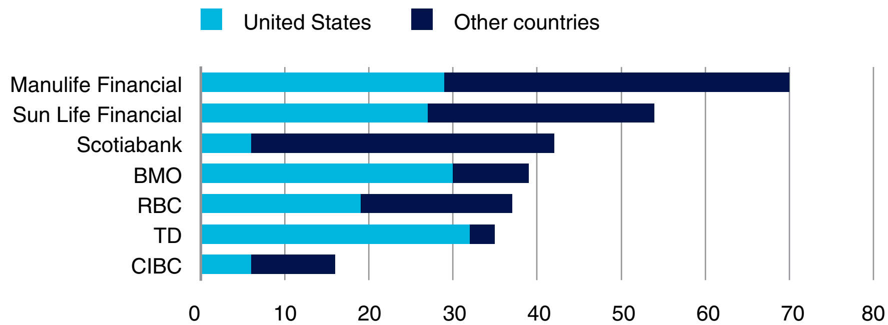
The expansion of FDI has enabled Canadian financial institutions to extend their international footprint. For example, in 2015, more than a third of the revenues from Canada's five largest banks combined was from the U.S. and other international markets. And as for Toronto's largest life insurance companies, Manulife Financial and Sun Life Financial, they generated 70 and 55 per cent of their revenues, respectively, from countries other than Canada. (See Chart 7.) According to a 2014 Conference Board survey, the most common market entry strategies used by Canadian financial institutions to build a presence in foreign markets are foreign acquisitions, establishing a subsidiary, and setting up joint ventures or local partnerships.[3]

3 Burt and Ai, *Going Abroad*.

Chart 7

Canadian Banks and Insurance Companies Generated a Large Share of Their Revenues From International Operations in 2015

(share of revenues from U.S. and other countries, selected banks and insurance companies, per cent)



Note: The revenue breakdown for Sun Life Financial allocates the revenues for its Sun Life Financial Asset Management group to the "other" category.
Sources: Banks' and insurance companies' 2015 financial reports; The Conference Board of Canada.

The international footprint for Canadian financial institutions other than banks and insurance firms is also significant. For example, Canada has some of the largest pension funds in the world, with the Canada Pension Plan Investment Board (9th) and Ontario Teachers' Pension Plan (18th) ranked among the top 50 largest pension funds in terms of assets under management.[4] Several others are among the 100 largest, including the Public Service Pension Plan, Ontario Municipal Employees Retirement System, Healthcare of Ontario Pension Plan, and Caisse de dépôt et placement du Québec.

As previously mentioned, Canada's pension funds continue to expand their international presence through the direct investments that they undertake. Foreign investments accounted for 31.8 per cent of the total portfolio in 2015, up from 18.8 per cent in 2000.[5] Portfolio diversification by geography helps to explain the investment strategy of large Canadian pension funds. The strategy diversifies risk exposure

4 Willis Towers Watson, *Pensions and Investments*.

5 See CANSIM table 280-0003.

beyond the relatively small Canadian economy. As well, greater global diversification allows income from foreign investments to flow back into Canada to support future pension payments.

Canada's largest exchange operator, TMX Group Limited, also has a significant foreign presence with about 28 per cent of revenues in 2015 coming from international business.[6] Key factors driving these foreign revenues include international listings of the TMX Group's exchanges, as well as transactions originating from foreign-based brokers.

Building a Global Presence Through Exports

The second channel through which Canada's financial institutions can serve foreign customers is cross-border trade, also known as exports. When a Canadian financial institution provides services to non-residents through its Canadian operations, it is engaging in an export activity, which is a source of income and job creation for Canada. Exports of financial services can be split into three broad categories: banking, insurance, and other financial services, which are composed of items such as securities issuance and trading and asset management services.

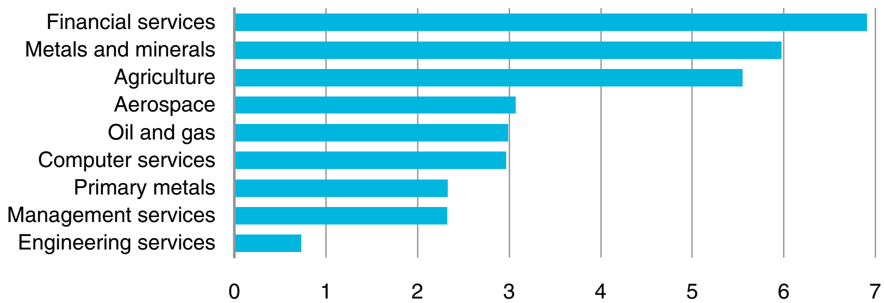
Although Canadian financial services exports are much smaller than sales of foreign affiliates, they have been growing at a faster pace. Between 2005 and 2015, total exports of financial services more than doubled, reaching $11.7 billion in 2015. In fact, financial services are Canada's largest and fastest-growing source of services exports. (See Chart 8.) While banking and insurance exports have both grown substantially over this period, other financial services have experienced the strongest growth and now account for half of Canada's financial services exports. (See Chart 9.)

6 TMX, *Canada's Markets*.

Chart 8

Financial Services Have Led Canada's Export Growth

(average annual growth in real exports for select industries, 2006–15, per cent)

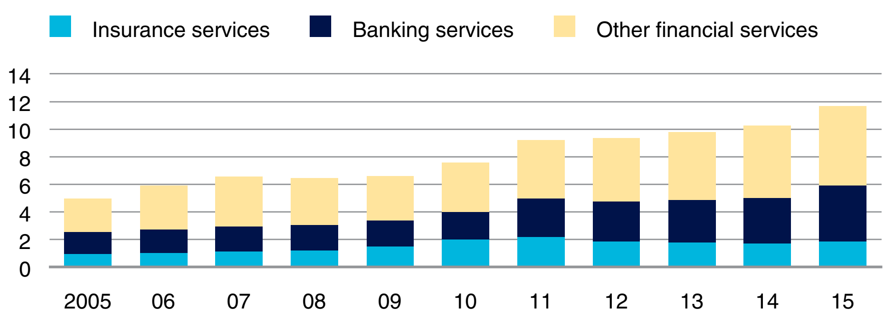


Source: The Conference Board of Canada Trade Forecast.

Chart 9

Growth in Financial Services Exports Driven by "Other Financial Services"

($ billions)



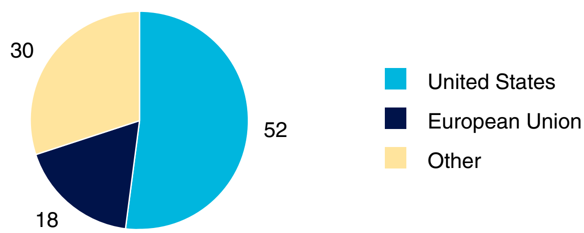
Sources: Statistics Canada, CANSIM tables 376-0033 and 376-0108; The Conference Board of Canada.

As with foreign affiliate sales, the U.S. is also the number-one market for Canadian exports of financial services, accounting for 50 per cent of the total—a share that has changed little over time. (See Chart 10.) There are a variety of reasons for the strong growth in financial services exports to the U.S., including the need to facilitate the large volume of trade transactions between the two countries and the use of Canadian equity, debt, and derivative markets by U.S.-based businesses. Moreover, Canadian financial institutions have "followed" clients from Canada into the U.S. market to provide financing and other financial products as their customers engaged in a growing volume of international investment activities.

Chart 10

The U.S. Is the Largest Market for Financial Services Exports

(share of financial services exports by country, 2013, per cent)



Sources: Statistics Canada, CANSIM table 376-0033; The Conference Board of Canada.

CHAPTER 4

Toronto's Role in Canada's Financial Services Sector

Chapter Summary

- Financial services directly employed 250,790 people in Toronto in 2015, 7.9 per cent of the metro area's total employment, up from 7.6 per cent in 2005. In addition, the sector indirectly employed another 106,042 people in the metro area.
- Toronto accounts for a growing share of Canada's financial services sector; Toronto's share of the sector's employment rose from 29.5 per cent in 2005 to 31.7 per cent in 2015.
- The sector directly accounts for 13.1 per cent of metro Toronto's GDP. Only the public services sector is larger.
- In total, Toronto's financial services sector generated a combined $16.1 billion in fiscal benefits in 2015 for the Canadian, Ontario, and City of Toronto governments.

The trends in the financial services sector that we have discussed thus far pertain broadly to Canada. We now turn our attention to Toronto's role in the sector, as well as its contribution to the Canadian economy.

Toronto is the major hub for financial services headquarters in Canada.[1] For example, 31 per cent of all financial services headquarters are located in Toronto, which is more than double the proportion of Vancouver (13.2 per cent), its closest Canadian competitor.[2] The concentration of financial services headquarters activity is even more apparent when we look at employment, with 43 per cent of financial services headquarters employment found in Toronto. This is more than triple its nearest competitor, Montréal, at 12.4 per cent.

What is more, Canada's financial services sector is becoming more concentrated in Toronto, as the share of the sector's employment in Toronto has risen over the past decade. In 2005, Toronto accounted for 29.5 per cent of Canadian financial services employment; this share rose to 31.7 per cent in 2015. By way of comparison, Toronto's share of total Canadian employment changed by only a small amount over that period, rising from 16.9 per cent to 17.7 per cent. This indicates that Toronto has solidified its position as Canada's leading financial centre.

The growing importance of Toronto as a financial centre is also reflected in our survey responses. For example, 77 per cent of respondents felt that Toronto had grown in importance over the past decade; only Calgary had a higher share at 82 per cent. Key factors cited by respondents that have contributed to the growing importance of Toronto include:

- the expanding international footprint of financial institutions headquartered in Toronto;

1 For the purposes of this report, Toronto is defined as the census metropolitan area.

2 Burt and Ai, *A Head for Finance*.

- the stability and expansion of the sector in the post-2008 financial crisis period;
- the growing presence of foreign financial institutions in the city;
- the growing presence of a fintech sector in the region.

Our survey also provided insights about factors or actions that they felt would support continued growth in the sector in the years to come. Key activities identified by respondents included:

- attracting more inward investment from foreign financial institutions to assist with making the sector more globally focused;
- better marketing of Toronto's financial sector as a global brand, which may include collaborating with Canada's other financial centres in order to leverage their strengths and create a Canadian brand;
- continuing the development of innovative financial firms in the sector, particularly in fintech;
- ensuring growth in the size and skills of the sector's workforce.

Economic and Fiscal Impacts of the Sector in Toronto

When assessing the economic footprint of a sector, one can consider a variety of effects. In this report we consider the following three economic effects associated with Toronto's financial sector:

- **Direct effects**. These are the economic effects directly associated with the day-to-day operations of Toronto's financial services sector. Essentially, they include all of the economic activity of the sector itself in Toronto.
- **Indirect effects**. The indirect or supply chain effects are the economic effects associated with the financial services sector's use of intermediate inputs or other support services, both in Toronto and in the rest of the country.
- **Fiscal effects**. Finally, we measure the fiscal impact associated with the direct and indirect economic effects at the federal, provincial, and municipal levels.

Direct Effects

The financial services sector is one of Toronto's major clusters. It directly employed 250,790 people in 2015, which included everyone from tellers and insurance agents in local offices to the headquarters staff of multinationals in the metro area. This is of sufficient size to make the sector the fifth-largest in the metro area in terms of employment, accounting for 7.9 per cent of the total. (See Table 2.) This share is even higher in the City of Toronto, at 8.5 per cent.

Table 2
Breakdown of Major Sectors in Toronto

	2015 employment		2015 GDP	
	number	share (%)	2007 $ millions	share (%)
Financial services	250,790	7.9	41,811	13.1
Manufacturing	319,400	10.1	38,614	12.1
Public services	626,215	19.7	45,740	14.3
Professional services	352,840	11.1	26,024	8.2
Information services	97,280	3.1	14,308	4.5
Retail trade	325,150	10.2	16,089	5.0
Transportation	163,300	5.1	14,121	4.4
Construction	202,350	6.4	16,334	5.1
Accommodation and food services	194,620	6.1	5,532	1.7
Other sectors	644,745	20.3	100,481	31.5
Total	**3,176,690**	**100.0**	**319,054**	**100.0**

Sources: The Conference Board of Canada; Statistics Canada.

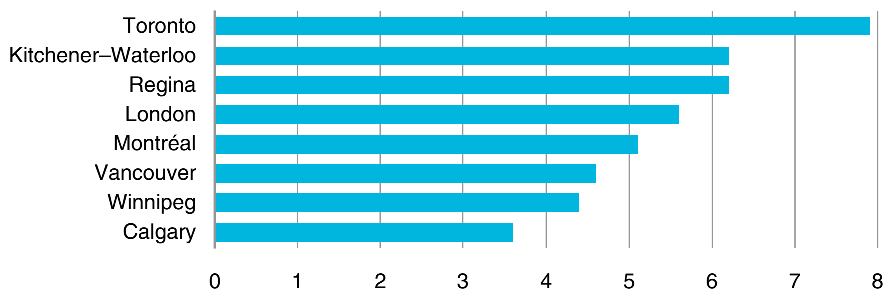
Toronto's financial services industry has also been a significant source of growth in recent years. In 2005, the sector employed 205,700 people in Toronto. This represents an average annual growth of 2 per cent over the past decade, which compares favourably with 1.5 per cent for all sectors in the Toronto metro area over the same period.

Because employment growth in the sector has outpaced the average for all sectors, financial services have grown as a share of Toronto's economy. Between 2005 and 2015, the sector's share of the metro area's employment rose from 7.5 per cent to 7.9 per cent. In fact, the concentration of financial services employment in 2015 was higher in Toronto than in any other metro area across the country. (See Chart 11.)

Chart 11

Concentration of Financial Services Employment Is Highest in Toronto Among Canadian Metro Areas

(share of employment in financial services for select metro areas, 2015, per cent)



Sources: Statistics Canada; The Conference Board of Canada.

As large as the employment impacts are, it is important to note that the GDP impacts of Toronto's financial services sector are even larger. On a GDP basis, financial services accounted for 13.1 per cent of the metro area's economy in 2015; this was second only to public services. Financial services account for a larger share of Toronto's GDP than its employment because GDP per employee in the sector is significantly above average. Several factors determine a sector's GDP, including the wages and salaries that it pays, the amount of depreciation of its assets, and the profits that it earns. For all three factors, the financial services sector's numbers are above average.

Financial services generate a high degree of value-added for the economy.

For example, in Ontario, the sector's average weekly earnings per employee in 2015 were $1,260 versus the overall industrial average of $963.[3] As well, the sector's depreciation expense per employee in Canada was $12,600 versus $8,600 for all industries in 2015.[4] Although the sector's capital stock per employee is below average, much of it consists of information technology equipment and software, which depreciates quickly. The result is an ongoing need for a high rate of investment per employee in the sector. Finally, nationally, the sector's profit margin was 21.2 per cent in 2015 versus 6.8 per cent for all industries.[5] Ultimately, the high level of GDP per employee in the financial services sector reflects the fact that, in general, financial services generate a high degree of value-added for the economy.

Indirect Effects

In addition to employing people directly, the financial services sector also generates secondary or indirect effects in the economy. Indirect effects measure the economic benefits associated with the financial services sector's use of intermediate inputs or other support services. In effect, the indirect effects describe a sector's supply chain, highlighting all of the inputs necessary to conduct financial activity.

In aggregate, Toronto's financial services sector supported an additional 208,890 jobs in 2015. Thus, the sector accounted for a total of 459,674 jobs once the direct effects are added to the indirect effects. The indirect effects occurred largely in Toronto, but benefits did accrue across the country. Of the 208,890 indirect jobs, 106,042 occurred in Toronto, 69,376 occurred in the rest of Ontario, and 33,472 occurred in the rest of Canada. (See Table 3.)

3 Derived from Statistics Canada's CANSIM table 281-0026.

4 Derived from Statistics Canada's CANSIM table 187-0001 and the Labour Force Survey.

5 Derived from Statistics Canada's CANSIM table 187-0001.

Table 3
Breakdown of Financial Services Employment and GDP Effects by Region

	Toronto				Rest of Ontario		Rest of Canada		Total	
	Direct		Indirect		Indirect		Indirect			
	Value	Share of effects (%)	Value	Share of effects (%)	Value	Share of effects (%)	Value	Share of effects (%)	Value	Share of effects (%)
Employment	250,790	54.5	106,042	23.1	69,376	15.1	33,472	7.3	457,674	100.0
GDP (2007 $ millions)	41,811	65.6	9,534	15.0	8,748	13.7	3,640	5.7	63,733	100.0

Sources: Statistics Canada; The Conference Board of Canada.

The indirect effects of a sector are often expressed as a multiplier, which is the ratio of the combined direct and indirect effects to the direct effects. In this case, the financial services sector had a multiplier of 1.83, meaning that for every direct job in the sector it supported another 0.83 jobs through supply chain impacts. We can break those results down further by region. Thus, for every direct job in Toronto, there were another 0.42 indirect jobs in Toronto; 0.28 indirect jobs in the rest of Ontario; and 0.13 indirect jobs in the rest of Canada.

The sector also has indirect GDP effects across Canada. In fact, for every $100 of GDP the sector directly generated in Toronto, it indirectly generated an additional $23 in Toronto; $21 in the rest of Ontario; and $9 in the rest of Canada. This resulted in a total GDP multiplier of 1.52 for the sector.

The GDP multiplier for the sector was lower than its employment multiplier, because the sector has a high level of GDP per employee. Essentially, since the sector's direct GDP effects were above average, a large denominator was used to calculate the multiplier. As a result, the GDP multiplier was smaller than the employment multiplier. Other sectors with high GDP per employee ratios, such as mining and utilities, experience a similar effect.

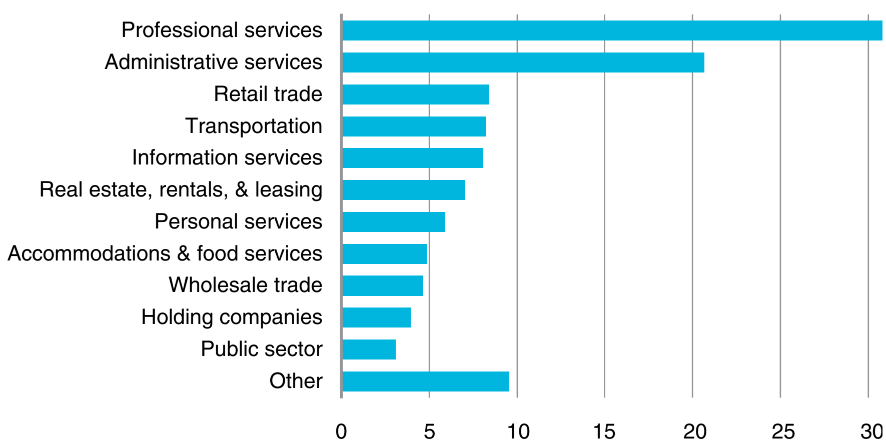
Indirect Effects on Professional Services in Toronto

If we turn our focus to the indirect effects in Toronto, we can gain some additional insights into which industries are supported by activity in the financial services sector. In 2015, the single largest impact was in the professional services industry, where financial services activity supported 29,731 jobs. (See Chart 12.) Indeed, the relationship is so strong that some professional services, such as legal and accounting services, are sometimes considered to be part of the financial services sector. In fact, if we add the direct effects of the financial services sector and its indirect effects in the professional services sector, the total of 280,521 jobs equated to 8.8 per cent of Toronto's total employment.

Chart 12

Professional Services Experienced the Largest Indirect Employment Effects in Toronto

(indirect employment effects in Toronto by sector, 2015, 000s)



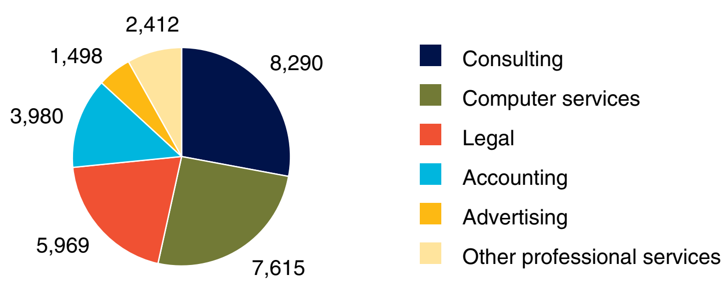
Sources: Statistics Canada; The Conference Board of Canada.

Within the professional services sector, the consulting industry experienced the largest impact; financial services activity supported 8,290 jobs in this industry. (See Chart 13.) Significantly, the financial services sector also supported 5,969 legal services jobs (17.1 per cent of local industry employment) and 3,980 accounting services jobs (9 per cent of local industry employment).

Chart 13

Financial Services Support a Variety of Professional Services Industries

(professional services employment effects in Toronto by industry, 2015, number)



Sources: Statistics Canada; The Conference Board of Canada.

The financial services sector also had a sizable effect on the computer services industry, supporting 7,615 jobs, or 7.6 per cent of local industry employment. This reflected the sector's heavy use of information technology. In fact, 51.8 per cent of total financial sector investment in Canada was related to information technology equipment and services in 2013.[6]

Indirect Effects on Administrative Services in Toronto

Professional services were not the only sector where financial services activity had a major impact. The second-largest indirect effects in Toronto occurred in the administrative services sector. This sector

6 Derived from Statistics Canada's CANSIM table 031-0003.

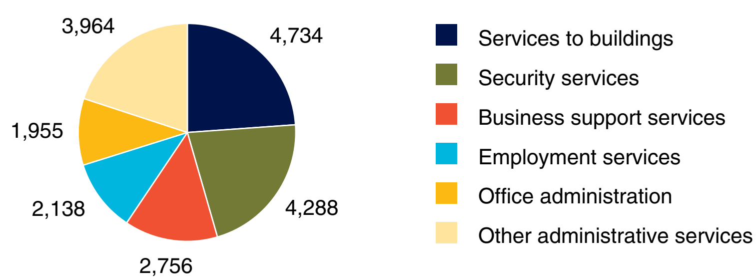
is primarily engaged in activities that support the day-to-day operations of other organizations. Financial services activity supported 19,835 administrative services jobs in Toronto in 2015.

The industry that provides services to buildings was the single largest beneficiary, with 4,734 jobs being supported by the financial services sector, equivalent to 8 per cent of the industry's total local employment. (See Chart 14.) This industry provides services such as janitorial, cleaning, pest control, and landscaping services. The large impact of financial services on this industry reflects the sector's heavy use of office and retail space and the outsourcing of activities needed to maintain this space. Other major impacts in the administrative services sector include security services (such as armoured cars and security guards), business support (such as call centres and collection agencies), employment (such as temporary help providers and placement agencies), and office administration services (such as billing and record keeping).

Chart 14

Professional Services Experienced the Largest Indirect Employment Effects in Toronto

(by industry, 2015, number)



Sources: Statistics Canada; The Conference Board of Canada.

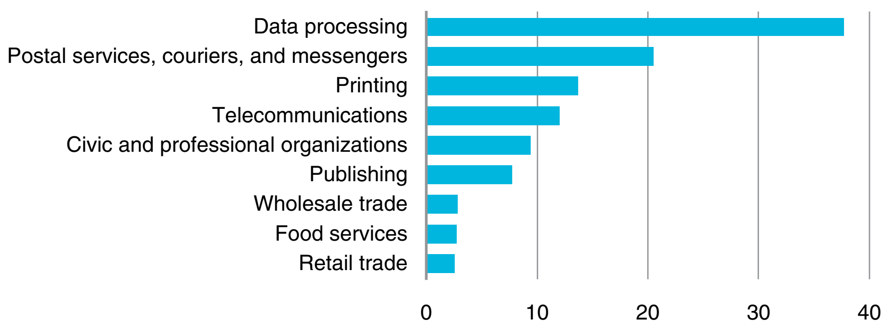
Indirect Effects on Other Sectors in Toronto

Beyond the professional and administrative services sectors, a variety of other industries benefit significantly from financial services activities. For example, the single largest effect in the manufacturing sector in 2015 occurred in the printing industry, at 1,841 jobs, or 13.7 per cent of total printing industry employment in Toronto. (See Chart 15.) Financial services firms print a wide variety of materials, from advertising materials to cheques and bills.

Chart 15

Financial Services Are a Key Customer for Some Industries

(indirect employment effects' share of Toronto employment for select industries, 2015, per cent)



Sources: Statistics Canada; The Conference Board of Canada.

Within the transportation sector, the postal service, courier, and messenger industry was the most affected industry in 2015. In fact, financial services activity supported 5,763 jobs, or 20.5 per cent of the industry's local employment. This partly reflects the importance of direct mail advertising to the financial services sector. We estimate that about one-quarter of the sector's ad spending was directed toward direct mail, well above the average of 8.4 per cent for all industries.[7] As well, although there is an ongoing shift toward electronic billing and

7 Burt, Audet, and Armstrong, *Marketing's Influence in Canada 2012*.

Toronto's financial services sector affects federal and provincial government revenues.

correspondence, mailings of items like bank and investment statements, proxy statements, bills, and payments affected this result. Finally, the sector makes significant use of couriers to deliver time- and security-sensitive documents.

In the information services sector, telecommunications companies were the largest beneficiaries of financial services activity, which in 2015 supported 4,117 jobs, or 12 per cent of the industry's total local employment. The financial services sector is a major user of IT equipment and services, and telecom operators are major providers of these services. Other information services industries with significant effects include publishing (1,612 jobs) and data processing (1,578 jobs). In publishing, this reflects the importance of information as an input into sector activities such as asset management, investing, and trading. The effects in the data processing industry reflect the data-intensive nature of the financial services sector, particularly those segments that are transaction-oriented, such as exchanges and banking.

Although the financial services sector accounted for a smaller share of their total employment, sectors such as retail and wholesale trade also experienced significant employment effects, at 8,107 and 4,494 jobs, respectively. These industries experience economic impacts from activity in most industries, because they connect businesses and consumers across the economy.

Fiscal Effects

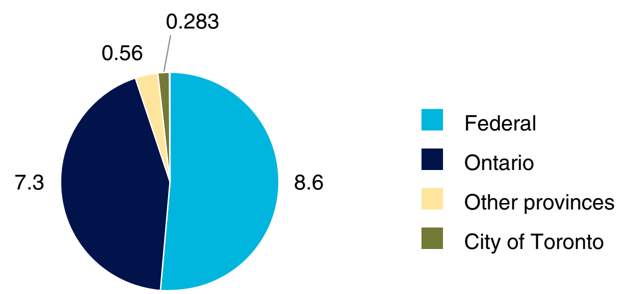
The direct and indirect effects associated with Toronto's financial services sector also have significant fiscal implications for the City of Toronto, Ontario, and the federal government. The sector affects federal and provincial government revenues in several key areas, including the personal income taxes that employees pay on their wages and salaries; corporate taxes on the profits that financial services firms generate; and indirect taxes, which include things such as sales taxes and fuel taxes. At the municipal level, the employees of financial services firms require office space, and property taxes are paid on this space. In total, we estimate that Toronto's financial services sector generated a combined

$16.1 billion in fiscal benefits in 2015 for the Canadian, Ontario, and City of Toronto governments. (See Chart 16.) This is up from an estimated $13 billion in 2012.[8]

Chart 16

Toronto's Financial Services Sector Generates Billions in Government Revenues

(government revenues by level, $ billions)



Source: The Conference Board of Canada.

Federal

Among the different levels of government, Toronto's financial services sector had the largest impact on the federal government. The sector generated $8.6 billion in revenue for the federal government in 2015. This was equivalent to 3 per cent of the federal government's $289.6 billion in reported revenues for fiscal 2015–16.[9] Personal income taxes were the single largest source of these revenues, accounting for $3.3 billion or 38 per cent of the total. The second-largest source of federal tax revenues—at $2.4 billion, or 27 per cent of the total—was the goods and services tax (GST) on sales transactions in the financial services sector's supply chain. The last major source of federal government revenues was corporate profits taxes, which came to $2 billion, or 23.7 per cent of the total.

8 Burt, Audet, and Sutherland, *Ensuring the Future*.

9 Department of Finance Canada, *The Fiscal Monitor*.

The majority of the economic effects associated with Toronto's financial sector occurred in Ontario.

Provincial

The fiscal impact of Toronto's financial sector in Ontario was smaller than the national impact, but it was more significant as a share of the province's budget. We estimate that the province received $7.3 billion in revenues in 2015 as a result of economic activity supported by the sector. This was equivalent to 5.7 per cent of the province's total planned revenues of $126.5 billion in fiscal 2015–16.[10] The single largest benefit came from sales taxes ($3.6 billion), followed by personal income taxes ($2 billion) and corporate income taxes ($1.2 billion).

Although the vast majority of the economic effects associated with Toronto's financial sector occurred in Ontario, another $564 million in fiscal effects did accrue in other provinces. Quebec was the single largest beneficiary outside of Ontario, garnering $261 million in fiscal benefits, followed by British Columbia and Alberta. As well, depending on how the federal fiscal effects were spread across the country, the other provinces would receive additional benefits associated with federal spending.

Municipal

The final fiscal impact associated with the financial services sector comes from the office space that its employees occupy. We found that the sector supported 356,832 jobs in the Toronto metro area in 2015, both directly and indirectly. However, not all of these jobs were in the City of Toronto, nor did all of them require office space. In fact, we estimate that 187,700 of those jobs were in the City of Toronto and required some form of commercial space (office or retail space). This was equivalent to 20.7 per cent of the total employment in the City of Toronto that used commercial space.

Using these employment figures and City of Toronto data on property tax collections, we estimate that $283 million in municipal taxes in 2015 can be directly and indirectly linked to Toronto's financial services sector. That was equivalent to 7.2 per cent of Toronto's total property taxes

10 Government of Ontario, *2016 Ontario Budget, Chapter III*.

and 2.4 per cent of the city's total revenues of $11.8 billion in 2015.[11] Of course, the other municipalities that make up the Toronto metro area—such as Mississauga, Oakville, and Markham—would have also received fiscal benefits.

Structure of Toronto's Sector

Toronto's financial services sector is made up of many constituent parts that offer a variety of services. The key industries within the sector include the following:

- banking
- credit unions
- insurance
- asset management
- securities
- exchanges
- back office operations

However, the distinctions between these industries have blurred over time. In 1991, regulatory changes ended the policy of separating the sector into "four pillars" (banks, insurance, trusts, and investment dealers). As a result, different industries in the sector offer many similar products and services. For example, many of the largest banks in Canada offer insurance and asset management services. As well, some large insurance providers offer asset management or banking services.

Because of the way industry statistics are compiled, the blurring of the lines between industries can make cross-industry comparisons difficult. Employees of an organization that earns most of its revenues from banking would generally be recorded as banking industry employees,

11 City of Toronto, *2015 City of Toronto Financial Report.*

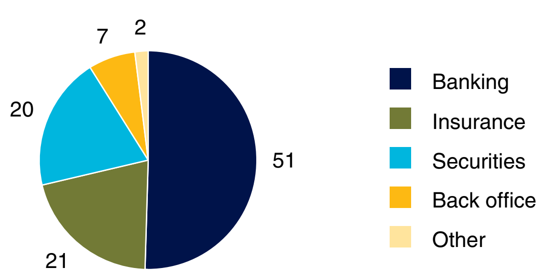
even if the services they provide might be better classified under a different industry. This problem affects the asset management industry the most. With this caveat in mind, it is still instructive to look at the structure of the industries that make up the financial services sector.

In terms of employment, three industries—banking, insurance, and securities—accounted for a combined total of 92 per cent of Toronto's financial services employment in 2015. (See Chart 17.) This share declined modestly over the past decade. Although banking employment experienced above-average growth, insurance and securities employment did not. As a result, these two industries now account for a smaller share of Toronto's financial services sector. In their place, the banking and back office operations industries now account for a larger share of the sector. A detailed table of sector employment by industry can be found in Appendix B.

Chart 17

Banking, Insurance, and Securities Account for Much of Toronto's Financial Sector Employment

(Toronto's financial sector employment by industry, per cent)



Sources: Statistics Canada; The Conference Board of Canada.

Toronto's share of Canadian employment is above average in every industry except credit unions.

Despite the predominance of the banking, insurance, and securities industries in the sector's employment, the sector is well diversified in Toronto. In fact, Toronto's share of Canadian employment is above average in every industry except credit unions. Toronto accounted for 17.7 per cent of Canadian credit union employment in 2015, yet for most financial services industries, Toronto's share was higher. For example, Toronto accounted for 62.4 per cent of Canadian employment in the back office industry, 36.3 per cent of securities employment, and 21.2 per cent of insurance employment. This highlights Toronto's role as Canada's financial centre.

Our survey responses reflect the employment mix of the sector. For example, the top five "core strengths" identified by respondents in the city of Toronto include retail and corporate banking, investment banking, wealth management and pension fund/mutual fund management (which would both fall under the securities industry), and life and health insurance. As well, we asked respondents to identify strengths in each of Canada's global financial centres for 28 different activities that the sector undertakes. Credit unions were the only activity that a majority of respondents did not identify as a strength for Toronto. As well, credit unions were the only activity where respondents did not rank Toronto first among the four cities.

We see somewhat different patterns when we look at the number of financial services businesses. According to Statistics Canada's business registry, 8,715 financial services businesses were operating in Toronto as of June 2016. Nearly half of these were in the securities industry (43.8 per cent), followed by insurance (24.7 per cent) and banking (29 per cent). Because the securities industry is sizable and includes many small businesses, it has a high share of the sector's businesses. In fact, in June 2016, 87 per cent of securities enterprises in Toronto had fewer than 20 employees. A detailed table of financial services establishments by employment can be found in Appendix B.

Small businesses are common in most of the industries that make up Toronto's financial sector. In 2014, 75.4 per cent of financial sector enterprises had fewer than 20 employees versus 87.1 per cent for all industries. However, some segments have more large businesses than others. For example, nearly 10 per cent of life and health insurers had more than 200 employees. This may sound like a small share, but it is actually well above average. In fact, only 1.1 per cent of all businesses across all industries in Toronto had more than 200 employees.

Within the financial services sector, large businesses are most common in segments such as retail and commercial banking, insurance carriers, credit card issuance, and exchanges, where larger businesses are most likely to incur significant benefits. For example, capital-intensive businesses can benefit from economies of scale. As well, size can improve the perceived safety of a financial institution, leading to real benefits, such as lower borrowing costs and reduced counterparty risk premiums when dealing with other financial institutions. Finally, some segments, such as retail banking, can benefit from the network effects that come with scale. Larger banks generally have more locations where customers can conduct transactions, improving customer convenience and service.

CHAPTER 5

Toronto as a Global Financial Centre

Chapter Summary

- Toronto is highly ranked among global financial centres; it is ranked 8th by *The Banker* and 13th in the Global Financial Centres Index (GFCI). Toronto also has a strong reputational advantage in the GFCI.
- According to the GFCI, key areas where Toronto stands out include its business environment, its investment management, and its reputation.
- According to *The Banker*, key areas of strength for Toronto include the region's strong banking cluster, high flows of outward foreign direct investment, business friendliness, and cost factors.
- With financial services accounting for 7.9 per cent of the metro area's employment, Toronto's proportional reliance on financial services is even higher than that in major global financial centres such as London and New York.

Not only is Toronto the largest financial centre in Canada, it is a globally recognized financial hub and generally ranks well compared to other global financial centres. For example, in our survey, 74 per cent of Canadian professionals who responded described Toronto's financial services sector as "globally significant." This was a much higher share than the other three cities in the survey, all of which had a share below 30 per cent.

Global rankings also recognize the importance of Toronto's financial sector. *The Banker* magazine ranked Toronto 8th, behind cities like New York, London, and Singapore.[1] As well, Toronto ranked 13th in the most recent *Global Financial Centres Index* (GFCI) report.[2] In both surveys, Toronto's rank has dropped modestly over the past year, and the city clearly ranks behind the undisputed top four centres: London, New York, Singapore, and Hong Kong. However, each survey reveals strengths about Toronto.

For example, in the GFCI survey Toronto was ranked ninth among centres that are expected to become more significant, with only Hong Kong and Singapore ranked more highly among the largest global financial centres. As well, Toronto was ranked sixth in the world in terms of "reputational advantage," meaning that opinions about Toronto are significantly stronger than the quantitative data would suggest. Finally, Toronto is one of only 11 cities in the GFCI that are considered to have financial sectors that are both broad and deep. (See Table 4.)

1 Pavoni, "London Leads as Brexit Beckons."

2 Yeandle, *The Global Financial Centres Index 20*.

Table 4

Rankings of Broad and Deep Global Financial Centres

London	1	Frankfurt	19
New York	2	Geneva	23
Singapore	3	Paris	29
Hong Kong	4	Dublin	31
Zurich	9	Amsterdam	33
Toronto	13		

Source: GFCI.

The GFCI uses a combination of "areas of competitiveness" from other reports and its own survey to generate its rankings. The categories for areas of competitiveness include business environment, financial sector development, infrastructure, human capital, and reputation. According to the GFCI methodology, Toronto ranks in the top 10 of global cities in one of these categories—business environment (eighth).

The GFCI survey also presents sub-indices based on its surveys, where rankings are created using the responses of professionals working in the relevant industry sectors. These five industry sectors are investment management, banking, government and regulatory, insurance, and professional services. Toronto is well represented within these five industry sectors, scoring a top 10 ranking in investment management. (See Table 5.) As expected, the large financial centres dominate each subsector.

Table 5

Rankings for Sub-Indices Within the GFCI

Investment management		**Business environment**	
New York	1	London	1
London	2	New York	2
Hong Kong	3	Singapore	3
Singapore	4	Hong Kong	4
Tokyo	5	Tokyo	5

(continued …)

Table 5 (cont'd)

Rankings for Sub-Indices Within the GFCI

Investment management		Business environment	
Boston	6	Chicago	6
San Francisco	7	Los Angeles	7
Sydney	8	Toronto	8
Toronto	9	Zurich	9
Chicago	10	Sydney	10

Source: GFCI.

In *The Banker* magazine's survey,[3] Toronto fared better, ranking eighth globally. Key areas of identified strength for Toronto included high levels of outward foreign direct investment, the region's strong banking cluster, business friendliness, and cost factors. As well, Toronto ranked highly in stock market capitalization and international debt securities. Toronto ranked in the top 10 globally for all of these factors. (See Table 6.)

Table 6

Activities Where Toronto Ranks Among the Top 10 Globally

Outward FDI		International debt securities		Cost factors		Stock market capitalization		Total bank assets		Bank pre-tax profits		Business friendliness	
London	1	London	1	Copenhagen	1	New York	1	Beijing	1	Beijing	1	London	1
New York	2	New York	2	Johannesburg	2	Osaka	2	Tokyo	2	New York	2	Singapore	2
Paris	3	Amsterdam	3	Wellington	3	Tokyo	3	New York	3	Tokyo	3	Seoul	3
Tokyo	4	Paris	4	Manama	4	Shanghai	4	London	4	San Francisco	4	Amsterdam	4
Zurich	5	Frankfurt	5	Bangkok	5	London	5	Paris	5	Paris	5	Dubai	5
Beijing	6	Dublin	6	Montréal	6	Hong Kong	6	Frankfurt	6	**Toronto**	**6**	Hong Kong	6
Toronto	**7**	Milan	7	**Toronto**	**7**	Shenzhen	7	**Toronto**	**7**	Shanghai	7	Paris	7
Seoul	8	**Toronto**	**8**	Manila	8	Mumbai	8	Shanghai	8	London	8	**Toronto**	**8**
Mumbai	9	Sydney	9	Chicago	9	Paris	9	Zurich	9	Sydney	9	Wellington	9
Moscow	10	Madrid	10	Boston	10	**Toronto**	**10**	Seoul	10	Shenzhen	10	Copenhagen	10

Source: *The Banker.*

3 Pavoni, "London Leads as Brexit Beckons."

London and New York remain in a league of their own.

Although it places well on all of these measures, Toronto generally lagged well behind the major global financial centres. For example, in terms of outward FDI, Toronto had a score of 3.2 versus 10 for London, meaning that outflows from Toronto were about 70 per cent below the market leader. For other quantifiable measures such as stock market capitalization and international debt securities, Toronto lags behind the market leaders by a similar amount. However, if we compare Toronto to other cities, the gap is smaller.

In short, London and New York are clearly the largest global financial centres. They remain in a league of their own, and they consistently vie for first or second place in the global rankings. Similarly, Singapore and Hong Kong generally compete for the third and fourth rankings. Toronto is part of a group of cities that compete below these four large centres.

That said, on the measures where Toronto ranked the highest, it often outperforms some of the larger centres. For instance, Toronto ranks above Singapore and Hong Kong when it comes to outward FDI, financial markets, and international debt security issuance. Toronto can even compete with London and New York on some measures. Toronto outranks both cities in terms of cost factors, is more business friendly than New York, and is ahead of London in the case of bank profitability.

Given the difference in the results, it is clear that *The Banker* and GFCI rankings are not completely comparable. For instance, the GFCI combines quantitative results in five broad categories with its own survey of global finance industry professionals to create an overall ranking. Alternatively, *The Banker* compiles financial data ranging from economic potential to business environment. All in all, the rankings provided by *The Banker* are more data-driven, while the GFCI's also reflect survey responses.

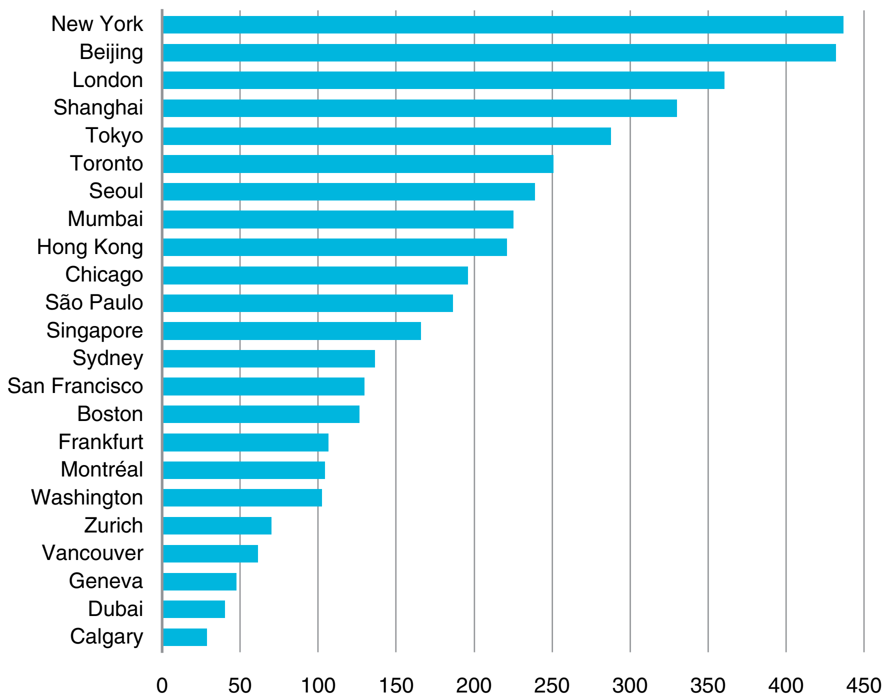
Employment in Global Financial Centres

Beyond these surveys, Toronto also ranks highly when comparing employment across other global financial centres. Indeed, 250,790 people were employed in Toronto's financial services sector in 2015, meaning the city ranked sixth among the global financial centres we consider here. (See Chart 18.) However, Zurich is the only city that is more dependent than Toronto on the financial services sector. (See Chart 19.) With financial services accounting for 7.9 per cent of the metro area's employment, Toronto's proportional reliance on financial services is even higher than that in major global financial centres such as London and New York, which have much larger populations.

Chart 18

Toronto Has a Significant Number of Financial Services Employees

(financial services employment, 2015 or most recent, 000s)

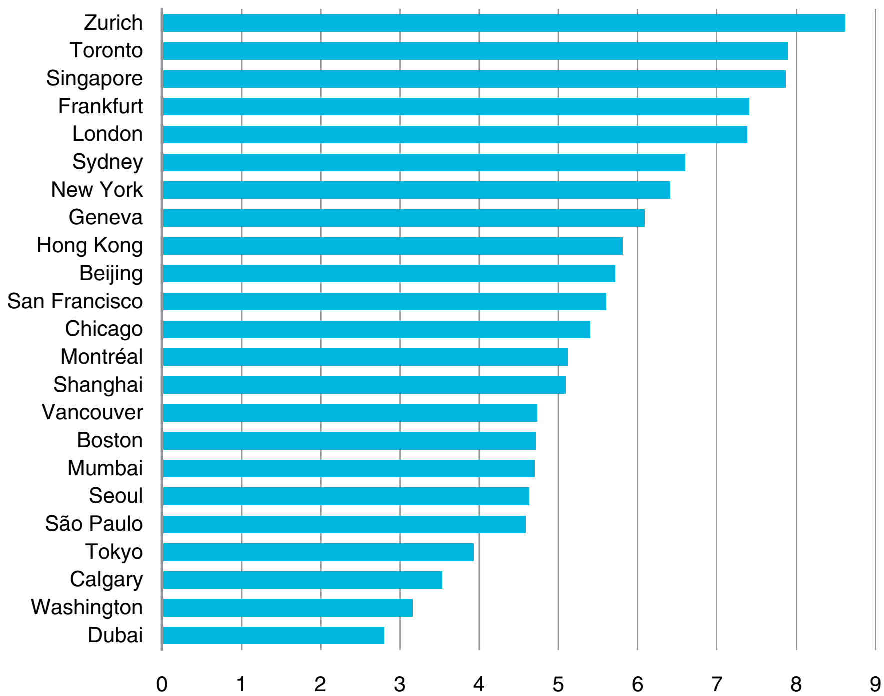


Sources: Various national statistical agencies.

Chart 19

The Importance of Financial Services to Toronto Is Higher Than in Other Financial Centres

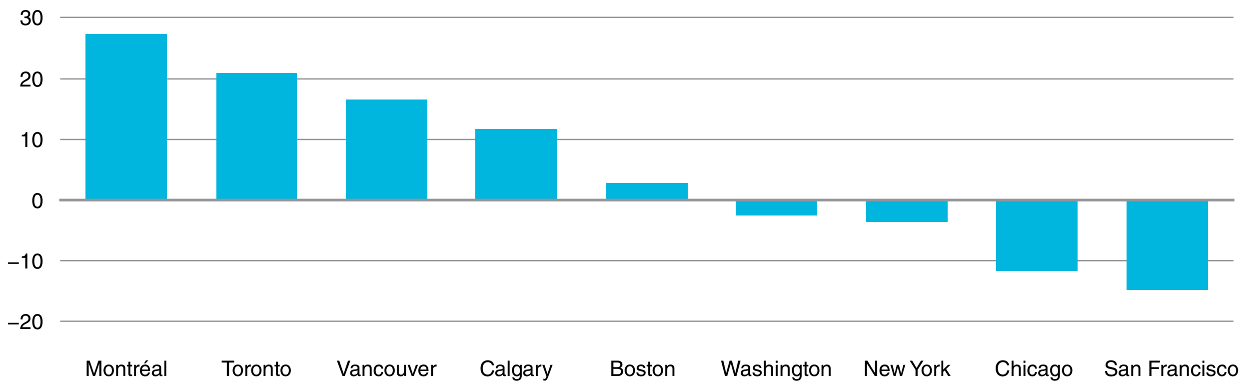
(financial services employment as a share of the total, per cent)



Sources: Various national statistical agencies.

It is also interesting to note how Toronto's financial services sector has grown over the past decade in comparison with some of the other financial centres. For example, while all major Canadian centres have posted significant increases in employment since 2005, Toronto's financial services sector increased by 21 per cent, generating about 43,300 new financial services positions. (See Chart 20.)

Chart 20
Employment Growth in Financial Services
(select North American metro areas, 2005–15, per cent)



Sources: Statistics Canada; U.S. Bureau of Labor Statistics.

Conversely, the major U.S. financial centres have all seen their employment shrink, due entirely to the financial crisis in 2008–09. In all of the U.S. metro areas included here, financial services employment fell drastically in 2008. What is more, a full recovery has not transpired. In fact, in all of the U.S. metro areas profiled here aside from Boston, financial services employment in 2015 was less than it was in 2005.

CHAPTER 6

Conclusion

Chapter Summary

- Looking only at employment understates the importance of the financial services sector to Canada's economy. For example, the sector accounts for 53 per cent of the stock of outward FDI.
- Financial services have been a major source of growth for the Canadian economy over the past decade, with the sector's employment, GDP, and international trade and investment performance all outpacing the average for all sectors.
- Financial institutions also facilitate growth for other businesses; the availability of a diverse array of capital sources is an important driver of economic growth.
- Toronto's role as Canada's largest financial hub has grown as the region's share of domestic activity has increased.

Our analysis has shown that the financial services sector is a critical part of the Canadian economy, and this is apparent in a myriad of ways. For example, the sector directly accounts for 4.4 per cent of Canadian employment, but this figure understates the impact of the sector in many ways. At the same time, it accounts for 16 per cent of Canada's foreign affiliate sales and 53 per cent of the stock of outward FDI undertaken by Canadian firms. Thus, our financial institutions are one of the main ways that non-residents interact with Canadian business. What is more, the sector's importance is growing. For all of the indicators we looked at in this report, including employment, GDP, international trade, and outward FDI, the sector's share of Canadian activity has grown over the past decade.

Beyond its direct footprint, the sector plays an important role as a facilitator in the economy. Key functions that the financial services sector provides that essentially all consumers and business require include access to credit, transaction processing, and risk management services. Without these services, a modern, dynamic, and resilient economy is impossible. Indeed, access to a diverse array of capital sources is an important driver of economic growth.

The good news is that Canadian financial institutions are effective in their roles as facilitators. For example, Canada is ranked fifth in the world in the availability of financial services according to the World Economic Forum. More specifically, we have found that Canadian firms have ready access to debt and equity financing. By essentially all of the measures examined here, Canada is ranked among the top 10 countries globally in terms of access to capital. Access to different forms of equity financing

Access to debt financing is not a constraint in Canada.

is particularly high, with Canada ranking among the top five globally by measures such as the number of domestic firms that are publicly listed, as well as private equity and venture capital investment relative to GDP. In addition, growth in business credit outstanding has been well above the rate of economic growth, suggesting that access to debt financing is not a constraint in Canada.

Given the size and growing importance of the sector, as well as its facilitator role, assessing its performance is critical. In this report, we have examined how financial services compare to other sectors domestically and to its peers internationally. Broadly speaking, the sector outperforms when it comes to international trade and investment. Growth in exports, investment, and foreign affiliate sales for Canadian financial institutions has all been considerably stronger than average. For example, financial services are Canada's largest and fastest-growing source of services exports.

It is in this context that we focus on Toronto's role in Canada's financial sector. Key findings with regards to Toronto's financial sector include the following:

Financial services are a key cluster for Toronto. Financial services are a major part of the metro area's economy, both in direct and indirect terms. Only a handful of other sectors, such as manufacturing and government services, have a similar level of importance for the region. As such, ensuring the continued health of the sector is critical to the region's performance.

The importance of the cluster in Toronto is growing. Toronto has been accounting for a growing share of Canada's financial services sector. At the same time, the sector's importance to Toronto's economy is growing. Respondents to our survey identified several things that will be necessary if the sector is to continue experiencing above-average growth. These include attracting more inward FDI, better marketing of the sector internationally, fostering further innovation, and ensuring the availability of a workforce with the right skills.

Toronto's financial sector is broad and deep. We have shown that in nearly every major segment of the financial services sector Toronto has an above-average degree of concentration. Indeed, the GFCI defines only 10 other financial centres globally as being both broad and deep. This breadth provides the sector with some resiliency against unforeseen events.

Toronto is ranked highly among the global financial centres. Independent rankings, such as *The Banker* and the GFCI, and our survey results place Toronto as the largest global financial centre in Canada, and one of the most important in the world. Toronto even compares favourably to industry leaders London and New York by some measures.

The sector cannot rest on its laurels. Despite its success, Toronto's financial sector faces a highly competitive environment; thus, its future performance is not assured. For example, Toronto's ranking in both *The Banker* and the GFCI lists dropped modestly in 2016. As well, despite the region's early successes in developing fintech firms, fintech has the potential to cause significant disruptions to the sector's large incumbent firms. Ongoing innovation is critical if the sector is to continue being a source of growth for both Toronto and Canada.

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APPENDIX A

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APPENDIX B

Additional Data Tables

Table 1

Key Statistics: 2015 Financial Services Sector

Canada	
Real GDP	
Share of total (%)	7.0
Growth, 2005–15 (%)	32.3
Total (2007 $ billions)	115.2
Employment	
Share of total (%)	4.4
Growth, 2005–15 (%)	11.3
Total (000s)	791.0
Outward stock of FDI ($ billions)	537
Share of Canada's stock of outward FDI (%)	53.0
Exports ($ billions)	11.7
Toronto	
Real GDP	
Share of total (%)	13.1
Total (2007 $ billions)	41.8
Employment	
Share of sector's national employment (%)	31.7
Share of sector's headquarters employment (%)	43.0
Growth, 2005–15 (%)	20.9
Total (000s)	250.8
Average weekly wage, Ontario ($)	1,260

Sources: Statistics Canada; The Conference Board of Canada.

Table 2

Toronto Financial Services Employment, by Industry

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average annual growth (2005–15, %)	Share of Toronto's financial services employment (%)	
													2005	2015
All financial services	207,475	217,700	209,450	217,715	218,425	212,875	219,350	219,325	240,025	251,375	250,790	1.7	100.0	100.0
Banking	98,593	111,848	102,753	112,949	109,261	112,174	107,959	112,104	112,072	128,940	127,495	2.4	47.5	50.8
Credit unions	962	1,003	1,053	1,083	1,077	1,123	1,152	1,200	1,236	1,273	1,781	5.8	0.5	0.7
Insurance	54,200	55,500	54,100	56,700	55,800	56,500	51,600	56,600	50,200	50,200	52,060	–0.4	26.1	20.8
Property and casualty insurers	22,113	23,242	25,872	25,949	26,215	25,416	26,875	21,706	25,155	20,608	22,442	0.1	10.7	8.9
Life and health insurers	9,417	9,898	11,018	11,051	11,165	10,824	11,445	9,244	10,713	8,777	9,558	0.1	4.5	3.8
Other insurance	22,670	22,360	17,210	19,700	18,420	14,560	18,180	20,650	20,733	20,816	20,060	–1.1	10.9	8.0
Asset management	2,134	2,180	2,244	2,476	2,620	2,680	2,884	2,865	3,115	3,241	1,690	–2.1	1.0	0.7
Securities	44,887	39,131	41,336	35,474	40,519	36,436	41,166	40,832	55,598	54,204	49,542	0.9	21.6	19.8
Securities intermediation and brokerage	20,807	17,923	18,256	15,069	16,510	14,195	15,280	14,909	19,964	19,134	16,210	–2.2	10.0	6.5
Other financial investment activities	24,080	21,208	23,080	20,404	24,009	22,241	25,886	25,923	35,635	35,070	33,332	3.0	11.6	13.3
Exchanges	713	569	664	626	781	764	934	868	1,102	996	1,308	5.7	0.3	0.5
Back office	5,986	7,469	7,300	8,417	8,367	8,898	8,755	9,856	10,302	12,521	16,614	9.7	2.9	6.6

Sources: Statistics Canada, Labour Force Survey; The Conference Board of Canada.

Table 3

Number of Financial Services Sector Firms Operating in Toronto, by Employment Size

	Number of enterprises						Share of enterprises (%)				
Number of employees	**Total**	**1–9**	**10–19**	**20–99**	**100–199**	**200+**	**1–9**	**10–19**	**20–99**	**100–199**	**200+**
All industries	231,321	182,195	21,742	22,424	2,734	2,226	78.8	9.4	9.7	1.2	1.0
All financial services	8,715	5,924	615	1,862	117	197	68.0	7.1	21.4	1.3	2.3
Banking	1,717	385	75	1,202	19	36	22.4	4.4	70.0	1.1	2.1
Depository credit intermediation	1,252	49	35	1,143	9	16	3.9	2.8	91.3	0.7	1.3
Credit card issuers, sales financing, consumer lending	196	120	18	37	5	16	61.2	9.2	18.9	2.6	8.2
All other banking	269	216	22	22	5	4	80.3	8.2	8.2	1.9	1.5
Credit unions	83	31	28	22	–	2	37.3	33.7	26.5	0.0	2.4
Insurance	2,151	1,643	199	237	34	38	76.4	9.3	11.0	1.6	1.8
Life and health insurers	157	83	14	39	9	12	52.9	8.9	24.8	5.7	7.6
Property and casualty insurers	138	55	13	40	16	14	39.9	9.4	29.0	11.6	10.1
Other insurance	1,856	1,505	172	158	9	12	81.1	9.3	8.5	0.5	0.6
Asset management	220	184	13	16	2	5	83.6	5.9	7.3	0.9	2.3
Securities	3,797	3,042	255	348	57	95	80.1	6.7	9.2	1.5	2.5
Securities intermediation and brokerage	571	357	60	132	7	15	62.5	10.5	23.1	1.2	2.6
Other financial investment activities	3,226	2,685	195	216	50	80	83.2	6.0	6.7	1.5	2.5
Exchanges	21	10	3	5	–	3	47.6	14.3	23.8	0.0	14.3
Back office	726	629	42	32	5	18	86.6	5.8	4.4	0.7	2.5

Source: Statistics Canada, *Canadian Business Patterns*.

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